

# USDA/Rural Development

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## NEWS RELEASE

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### **AGREEMENT BRINGS NEW LENDING TOOL TO RURAL LENDERS**

#### ***Agreement To Foster New Business Lending in Rural Areas***

WASHINGTON, April 9, 2002 – Under Secretary for Rural Development Thomas Dorr today announced that USDA Rural Development has entered into a Memorandum of Agreement with Colson Services Corp, a subsidiary of JPMorgan Chase Bank. The agreement will provide greater opportunity for rural lenders to participate in USDA Rural Development's Business and Industry (B&I) guaranteed loan program.

"This agreement streamlines the monitoring and selling of business guaranteed loans on the secondary market and increases the opportunity for small rural lenders to participate in USDA Rural Development's business guaranteed loan program," said Dorr. "It is about strengthening our rural economy and supporting the development of new lending tools to create business and employment opportunities in rural areas."

Under the agreement, USDA will issue certificates to investors who purchase guaranteed portions of Rural Development business loans. The certificates will be available to investors who appoint Colson as a registrar and paying agent for the guaranteed portions of B&I loans purchased in the secondary market. Current Rural Development regulations and documentation support the sale of guaranteed portions in the secondary market, but there is currently no regulatory authority for a mandatory central agent to handle loan settlement, certificate issuance and transfer and payment pass-through services.

While the agreement with Colson is non-exclusive and the use of their services by investors is voluntary, Dorr said that this agreement brings Rural Development one step closer to a mandatory central agent concept for the B&I Program, which would enable USDA to monitor secondary market sale activity and increase market efficiency. Greater investor interest in the B&I secondary market program can mean increased loan originations, as a secondary market brings liquidity to the lenders and provides an opportunity for them to profit from selling their loans.

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The B&I Guaranteed Loan Program helps create jobs and stimulates rural economies by providing financial backing for rural businesses. The program provides guarantees of up to 90 percent on loans made by commercial lenders. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. USDA Rural Development's mission is to deliver programs in a way that will support increasing economic opportunity and improve the quality of life of rural residents. Rural Development is Rural America's Venture Capitalist, providing equity, liquidity, and technical assistance to finance and foster growth in existing and new opportunities for homeownership, business development, and critical community and technology infrastructure. Further information on these and other rural programs is available at a local USDA Rural Development office or by visiting USDA's web site at <http://www.rurdev.usda.gov/>.

*Colson Services Corp. is a wholly owned non-bank subsidiary of JPMorgan Chase Bank. More information about Colson is available at [www.colsonservices.com](http://www.colsonservices.com).*

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